

Audited Financial Statements
Crowder's Mountain Volunteer
Fire & Rescue, Inc.
Gastonia, North Carolina
June 30, 2012



To the Board of Directors
Crowders Mountain Volunteer Fire & Rescue, Inc.
Gastonia, North Carolina

INDEPENDENT AUDITORS' REPORT

We have audited the accompany statement of financial position of Crowders Mountain Volunteer Fire & Rescue, Inc. as of June 30, 2012, and the related statement of activities and net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Crowders Mountain Volunteer Fire & Rescue, Inc. as of June 30, 2012, and the results of its activities and net assets, functional expenses, and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

LB&A, Certified Public Accountants, PLLC

Matthews, North Carolina
January 11, 2013

Crowder's Mountain Volunteer Fire & Rescue, Inc.

Statement of Financial Position

June 30, 2012

Assets	Unrestricted	Temporarily Restricted	Total
Current Assets			
Cash and cash equivalents	\$ 218,335	\$ 58,865	\$ 277,200
Accounts receivable	3,730	-	3,730
Sales tax refund receivable	5,599	-	5,599
	<u>227,664</u>	<u>58,865</u>	<u>286,529</u>
Noncurrent Assets			
Land, buildings and equipment net of accumulated depreciation	2,216,445	-	2,216,445
	<u>2,216,445</u>	<u>-</u>	<u>2,216,445</u>
Total Assets	<u><u>\$ 2,444,109</u></u>	<u><u>\$ 58,865</u></u>	<u><u>\$ 2,502,974</u></u>
Liabilities and Net Assets			
Current Liabilities			
Accounts payable	\$ 6,553	\$ -	\$ 6,553
Accrued payroll and payroll taxes	6,971	-	6,971
Current portion of notes payable	77,640	-	77,640
	<u>91,164</u>	<u>-</u>	<u>91,164</u>
Noncurrent Liabilities			
Notes payable, less current portion	1,490,550	-	1,490,550
Total Liabilities	<u>1,581,714</u>	<u>-</u>	<u>1,581,714</u>
Net Assets			
Net Assets	862,395	58,865	921,260
Total Liabilities and Net Assets	<u><u>\$ 2,444,109</u></u>	<u><u>\$ 58,865</u></u>	<u><u>\$ 2,502,974</u></u>

The notes are an integral part of these financial statements.

Crowder's Mountain Volunteer Fire & Rescue, Inc.

Statement of Activities and Net Assets
Year Ended June 30, 2012

Revenue	Unrestricted	Temporarily Restricted	Total
Program Revenue and Other Income			
Gaston County Service District	\$ 564,359	\$ 6,043	\$ 570,402
Donated Services	678,880	-	678,880
Special Services	9,297	-	9,297
Interest Income	5,604	148	5,752
Other Income	56,913	-	56,913
Gain (Loss) on Disposition of Asset(s)	(294)	-	(294)
Total Revenue	1,314,759	6,191	1,320,950
Expenses			
Program Services			
Firefighting and EMS services	1,170,627	-	1,170,627
	1,170,627	-	1,170,627
Supporting Services			
Depreciation	323,786	-	323,786
Management and general	-	-	-
Fundraising	4,148	-	4,148
	327,934	-	327,934
Total Program and Service Expenses	1,498,561	-	1,498,561
(Decrease) Increase in Net Assets	\$ (183,802)	\$ 6,191	\$ (177,611)
Net Assets, Beginning of Year	1,046,197	52,674	1,098,871
Net Assets, End of Year	862,395	58,865	921,260

The notes are an integral part of these financial statements.

Crowder's Mountain Volunteer Fire & Rescue, Inc.

Statement of Cash Flows
Year Ended June 30, 2012

Cash Flows from Operating Activities		
Decrease in net assets		\$ (177,611)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation		323,786
Loss on disposal of fixed assets		294
Decrease in operating assets		
Accounts receivables		5,116
Increase in operating liabilities		
Accounts payable		(1,084)
Accrued payroll and payroll taxes		776
	Net Cash Provided by Operating Activities	<u>152,820</u>
Cash Flows From Investing Activities		
Purchase of property and equipment		<u>(98,950)</u>
	Net Cash (Used) in Investing Activities	(98,950)
Cash Flows From Financing Activities		
Principle payments on notes payable		<u>(71,782)</u>
	Net Cash (Used) in Financing Activities	<u>(71,782)</u>
	Net (Decrease) in Cash and Cash Equivalents	<u>(17,912)</u>
Cash and cash equivalents		
Beginning		<u>295,112</u>
	Ending	<u>\$ 277,200</u>
Supplementary Disclosure of Cash Flow Information:		
Interest paid		<u>\$ 77,816</u>

The notes are an integral part of these financial statements.

Crowder's Mountain Volunteer Fire & Rescue, Inc.

Statement of Functional Expenses
Year Ended June 30, 2012

	Program Services	Administration	Fundraising	Total
Donated services	\$ 678,880	\$ -	\$ -	\$ 678,880
Dues and subscriptions	3,188	-	-	3,188
Educational materials	42	-	-	42
Fuel	30,512	-	-	30,512
Salaries and wages	160,804	-	-	160,804
Payroll taxes	16,289	-	-	16,289
Incentives	36,028	-	-	36,028
Insurance	39,897	-	-	39,897
Interest	77,816	-	-	77,816
Maintenance - building and grounds	5,439	-	-	5,439
Maintenance - equipment	8,152	-	-	8,152
Maintenance - vehicles	36,883	-	-	36,883
Medical screening and supplies	5,751	-	-	5,751
Office supplies	663	-	-	663
Professional services	18,400	-	-	18,400
Scholarships	3,000	-	-	3,000
Telephone	7,767	-	-	7,767
Travel and training	1,750	-	-	1,750
Uniforms and personal equipment	6,653	-	-	6,653
Utilities	27,215	-	-	27,215
Other functional expenses	5,498	-	4,148	9,646
Total Expenses Before Depreciation	\$ 1,170,627	\$ -	\$ 4,148	\$ 1,174,775
Depreciation	323,786	-	-	323,786
Total Expenses	\$ 1,494,413	\$ -	\$ 4,148	\$ 1,498,561

CROWDER'S MOUNTAIN VOLUNTEER FIRE & RESCUE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE A – ORGANIZATION

Crowder's Mountain Volunteer Fire & Rescue, Inc., (the "Organization") was formed in North Carolina for the purpose of providing fire protection, rescue and life safety services to the citizens of southwestern Gaston County. The Organization was formed on July 1, 2000 through a merger of three organizations – the Chapel Grove Volunteer Fire Department, Inc., the South Gastonia Volunteer Fire Department, Inc., and the Bessemer City Rescue Squad, Inc. The Organization is supported primarily through contracts with Gaston County.

The Organization operates out of two stations that are located on Bethany Road and E. Virginia Ave in Gaston County and provide services within approximately a six-mile radius to residents of southwestern Gaston County. The department is a "rated" fire department as defined by the NC Department of Insurance. During the calendar year 2010, the Organization incorporated to their staff, paid fire personnel to offset lapses in coverage by relying solely on volunteer fire personnel. The Organization is considered a 'combo' department but still relies primarily on volunteer fire personnel.

NOTE B – SIGNIFICANT ACCOUNTING POLICIES

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Restricted and Unrestricted Net Assets

Contributions are classified as permanent, temporarily restricted or unrestricted in accordance with donor stipulations. Once a restriction is satisfied or has expired, it is reported as a decrease in restricted net assets with a corresponding increase in unrestricted net assets. All receipts from Gaston County are considered unrestricted in the year they are received.

Donated Services and Property

Fire and rescue services are provided by trained individuals, primarily on a volunteer basis. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The value of the donated services are recorded at their fair values in the period received. Contributions of noncash assets are recorded at their fair value in the period received.

NOTE B – SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Property and equipment are stated at cost, except for earlier years, which are stated at estimated cost. Donated land and equipment are valued at fair market value on the date of donation. Depreciation is provided on the straight-line basis over the following estimated useful lives:

Building	25-39 years
Fire vehicles	5-20 years
Other vehicles	5-10 years
Equipment	5 years
Furniture and fixtures	5 years

The Organization expenses small tools and operating gear when the useful life does not exceed one year. Maintenance and repairs are charged to expense when incurred; major renewals and betterments over \$1,000 are capitalized.

Sales Tax Refund Receivable

Represents refunds due from state taxing authorities for sales taxes paid during the previous year.

Income Taxes

The department was organized as a corporation exempt from income taxes under Section 501 (C)(3) of the Internal Revenue Code. The determination letter has been received from the Internal Revenue Service accepting the exempt status. Accordingly, no income tax liability or expense has been recorded.

The Organization regularly assesses its exempt status using authoritative guidance on income taxes issued by the Financial Accounting Standards Board ("FASB"). The Organization does not believe the financial statements include (or reflect) any uncertain tax positions based on the FASB's 'more-likely-than-not' threshold.

Concentration of Credit Risk

The Organization maintains its cash in bank deposit accounts which, at times, have exceeded federally insured limits. The Federal Deposit Insurance Corporation (FDIC) guarantees bank deposit accounts up to \$250,000.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Fair Value Measurements

At June 30, 2012, the Organization's financial instruments include cash, accounts receivable, accounts payable and a note payable. The carrying amount of cash, accounts receivable and accounts payable approximates fair value due to the short maturities of these instruments.

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets; temporarily restricted net assets; and permanently restricted net assets. As of June 30, 2012, there were no permanent restrictions on net assets of the Organization. Certain changes in classification and presentation have been made to the current year financial statements.

Unrestricted net assets are currently available for operating purposes under the direction of the Board.

Temporarily restricted net assets are available for the benefit of the firefighters. See Note C for further detail.

Reclassifications

Certain amounts previously reported in the prior year financial statements have been reclassified to conform to the current year presentations. The reclassification affects the classification of functional expenses and changes in current classifications of individual line items from the most recent prior year audited financial statements.

Subsequent Events

In accordance with ASC Codification No. 855, Subsequent Events, which applies to annual periods ending after June 15, 2009, LB&A, Certified Public Accountants, PLLC, considered subsequent events occurring between July 1, 2012 and the issuance of the financial statements on December XX, 2012, and did not identify any events necessitating financial statement disclosure.

NOTE C – RESTRICTED CASH AND NET ASSETS

Restricted cash includes amounts held in a separate account and designated for the benefit of firefighters meeting criteria established by a separate board of trustees. The account is funded by a portion of homeowner insurance premiums controlled by the Insurance Commissioner of NC. As of July 1, 2011, there were no disbursements from this account.

NOTE D – LAND, BUILDINGS AND EQUIPMENT

Land, buildings, and equipment consist of the following:

Land	\$ 82,702
Buildings	2,032,112
Building improvements	191,670
Equipment	625,571
Furniture and fixtures	54,692
Vehicles	<u>1,670,692</u>
Total	4,657,439
Accumulated depreciation	<u>(2,440,994)</u>
Land, buildings, and equipment, net	<u>\$ 2,216,445</u>

Depreciation expense for the year ending June 30, 2012, was \$ 323,786.

NOTE E – NOTES PAYABLE

Notes payable consists of the following:

First National Bank, 5.49%, due January, 2028	\$ 306,682
First National Bank, 4.50%, due November, 2026	<u>1,261,508</u>
Total notes payable	1,568,190
Less current maturities	<u>(77,640)</u>
Long-term notes payable	<u>\$1,490,550</u>

All notes payable are collateralized with the underlying equipment or vehicles.

Current maturities of notes payable are as follows:

Year Ending June 30,	2013	77,640
	2014	81,341
	2015	85,219
	2016	89,284
	Thereafter	<u>1,234,706</u>
		<u>\$ 1,568,190</u>

The company recorded interest expense of \$77,816, for the year ended June 30, 2012.

NOTE F – CONCENTRATIONS (REVENUES)

Gaston County established two fire districts, South Gastonia and Chapel Grove that service the department in a contract that automatically renews each fiscal year. This agreement specifies that the County will remit all related tax collections to the Organization upon receipt, subject to a budgeted maximum. Approximately 43% of the Organization's support for the year ended June 30, 2012 was provided by Gaston County. Donated services account for 51.5% of the Organizations support and the remaining 5.5% comes from interest income and other revenue sources.

NOTE G – PENSION BENEFIT

The department contributes to the Fireman's Rescue Squad for pensions for long-term volunteer firemen. Any firefighter that feels like they are going to be a long term volunteer can join the Fireman's Pension Fund. The firefighter must pay \$10 per month or \$120 per year for twenty years, Crowders Mountain Volunteer Fire & Rescue, Inc. has elected to pay the premiums for this benefit.

NOTE H – DONATED SERVICES

During the year, the Organization received volunteer services requiring specialized skills provided by EMS technicians and firefighters. Pursuant to ASC 958-605, services requiring specialized skills shall be recognized by either the fair market value of the services received or the fair market value of the asset enhancement resulting from the services. During the year, the Organization improved its system of tracking volunteer hours, including training and standby hours. As a result, the value of donated services recognized during the year increased significantly.

For the fiscal year ending June 30, 2012, estimated fair market value of donated services received is \$678,880.

